

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 719** HLS 09RS 1440
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 28, 2009 6:13 PM	Author: CHANEY
Dept./Agy.: Executive/DOA	Analyst: Evan Brasseaux
Subject: Multi-year contracts	

PUBLIC CONTRACT/BIDS RE SEE FISC NOTE See Note Page 1 of 2
 Provides with respect to multiyear contracts

The proposed legislation increases the length of multi-year contracts from three to five years for professional, personal, consulting, or social services with approval of the Joint Legislative Committee on the Budget (JLCB). Also authorizes the Office Facilities Corporation (OFC) to enter into, and to execute such agreements, covenants, conditions, and contracts as are necessary to properly effectuate leases or subleases by the Office Facilities Corporation, for a period of not more than 20 years, of portions of the property located in the First Municipal District of the City of New Orleans, Parish of Orleans, generally bounded by South Liberty Street, Julia Street, LeRouge Street, Girod Street, LaSalle Street, and Poydras Street (Sugar Bowl Drive), and commonly referred to as the New Orleans Centre property, including the office tower formerly known as Dominion Tower, the retail property formerly know as the New Orleans Centre and the associated parking garage facility for the purpose of accommodating various agencies of state government, and provided that any such lease or sublease between the corporation and the owner of the N.O. Centre property is entered into before July 1, 2010.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The impact of the proposed legislation on annual expenditures is indeterminable. The legislation authorizes an increase from three to five years for professional, personal, consulting, or social services contracts with approval of the JLCB. Reduction in annual expenditures is anticipated for state agencies which enter into multiyear contracts through increased competition and potentially lower contract costs. Increased competition and lower costs are likely to result when firms are able to compete for contracts of a greater term to offset high startup costs; when a changeover of service contracts involving high phase-in/phase out costs during a transition period is avoided; or when a vendor's workforce can be stabilized over a longer period of time resulting in greater efficiencies of time and cost and more consistent quality of service. Although this legislation will allow certain contracts to be extended for two (2) additional years, the fiscal funding clause, which restricts the state's obligation for contract payments to the availability and appropriation of funds, will still be a requirement of these contracts.

The legislation also authorizes the OFC to enter into, and to execute such agreements, covenants, conditions, and contracts as are necessary to properly effectuate leases or subleases by the OFC, for a period of not more than 20 years, of portions of the property known as the New Orleans Centre Property, inclusive of the office tower formerly known as the Dominion Tower, the mall property formerly known as the New Orleans Centre, and the parking garage formerly known as the Macy's Garage for the purpose of accommodating various state agencies. Based upon the memorandum of understanding which details the state's obligation with regard to these various agreements, additional costs will be incurred on an annual basis. The state will lease 320,000 square feet of office space in the Dominion Tower for \$24 sq. ft. which equates to an increase of approximately \$2.5 million per year from costs for existing state offices located in Orleans and Jefferson Parish (with CPI adjustments at five year intervals). In addition, the state will lease space in New Orleans Centre and the Macy's Garage at an annual cost of \$2.3 million annually (adjusted for inflation annually not to exceed 2%).

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REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate
 13.5.1 >= \$500,000 Annual Fiscal Cost

Dual Referral Rules

13.5.2 >= \$500,000 Annual Tax or Fee Change

House
 6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Robert E. Hosse
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LFO Staff Director

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CONTINUED EXPLANATION from page one:

Expenditure explanation ctd.

The LFO cannot ascertain the net impact of this legislation. While the provision authorizing the OFC to enter into an extended agreement for leased space in New Orleans will certainly increase expenditures as shown above, the legislation is also anticipated to result in reduced costs for professional, personal, consulting, or social services contracts which would be extended from three to five years with the approval of the Joint Legislative Committee on the Budget and would at least partially offset some of the additional costs incurred from the lease agreements described in the bill.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

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6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Signature of Robert E. Hosse, LFO Staff Director